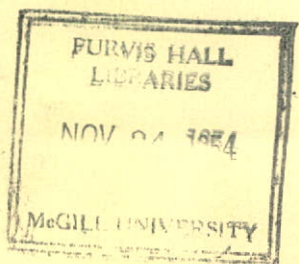


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Canadian Industries Limited



Annual Report
1932

BOARD OF DIRECTORS

HON. C. C. BALLANTYNE	SIR HARRY MCGOWAN, K.B.E.
WINTHROP BRAINERD	ROSS H. McMASTER
J. THOMPSON BROWN	HAROLD J. MITCHELL
JASPER E. CRANE	LIEUT.-COL. HERBERT MOLSON, C.M.G., M.C.
SIR CHARLES B. GORDON, G.B.E.	ARTHUR B. PURVIS
HARRY G. HASKELL	GEORGE W. WHITE

OFFICERS

PRESIDENT AND MANAGING DIRECTOR	-	ARTHUR B. PURVIS
VICE-PRESIDENT	- - - - -	WINTHROP BRAINERD
SECRETARY-TREASURER	- - - - -	GEORGE W. HUGGETT

ANNUAL REPORT

THE Directors have pleasure in submitting herewith the Twenty-second Annual Report of Canadian Industries Limited, together with the consolidated balance sheet and summary of consolidated income and surplus account for the year ended December 31st, 1932.

FINANCIAL REVIEW

THE downward trend in industrial activity continued throughout 1932 and the year closed without any signs of an appreciable recovery. Net income from operations has however been fairly well maintained despite the burden of increased taxation.

The total net earnings for the year 1932, i.e. including dividends from investments, after providing for income taxes in accordance with the rates applicable at this time, and after making ample provision for depreciation and other contingent liabilities, were \$2,771,662 as compared with \$3,433,541 for the year 1931. The earnings available for the common stock amounted to \$2,446,162, equivalent to \$3.65 per share and compare with \$4.65 on the slightly lesser number of shares outstanding in 1931.

Regular quarterly dividends at the rate of 7% per annum were paid on the preferred stock, and dividends totalling \$3.75 per share were declared on the common stock.

The total investment in plants, equipment and real estate as at December 31st, 1932, amounted to \$23,135,052, the increase of \$1,048,548 being largely due to the construction of the "Cellophane" plant at Shawinigan Falls, Quebec.

Charges against operations on account of depreciation amounted to \$1,171,888 as compared with \$1,096,627 for the previous year. Total reserves for depreciation now amount to \$8,217,273.

Your Company continues to enjoy a liquid financial position, net working capital at the end of 1932 being \$13,459,928 compared with \$13,882,087 at the end of 1931. Inventories as at the end of the year were valued at or below cost, adjustments being made where important individual items were found to be substantially higher than current market values.

OPERATING REVIEW

DESPITE the addition of several new Company activities during the year, a decrease in sales volume in some of the Company's regular lines—particularly in blasting explosives in the latter half of the year—resulted in a decrease of 11% in the dollar value of sales as compared with 1931.

The established policy of maintaining the Company's properties in a thoroughly efficient condition has been closely followed throughout the year.

Cellulose Products Group

This group now consists of two Divisions, Cellophane and Pyralin.

In April, 1932, the Cellophane Division which had functioned in the closing half of the previous year by the re-sale of "Cellophane" imported from the United States, opened a new unit for the manufacture of this material at Shawinigan Falls under an agreement with the Du Pont Cellophane

Company, Inc. Despite the depression, sales in this Division have come up to expectations and it is confidently anticipated that it will prove an important earning adjunct.

Though an increased volume of business was achieved, the Pyralin Division, manufacturing celluloid articles, experienced a difficult year, due in the main to extreme competition from foreign importations. Pyralin toiletware was added to the manufacturing line during the year.

Chemical Group

This group includes three Divisions and has its origin in the expansion in the chemical field entered into by the Company in the years 1928 and 1929. It is gratifying to note that its various activities, which embrace the manufacture and sale of salt; alkali products (liquid chlorine, caustic soda and ammonia); various kinds of acids, along with a general re-sale business in dyestuffs and heavy chemicals, have all contributed satisfactorily to the earnings of the Company and show distinct promise for the future.

Recent additions to the products manufactured by this group are smoked salt; liquid sulphur dioxide and sulphur dichloride, the last named serving as a vehicle for the utilization of an important quantity of chlorine produced at Sandwich.

Additions to the re-sale line were such products as trichlorethylene (used for degreasing); synthetic drying oil (used as a protective covering in the case of difficult corrosive or moisture conditions) and Lignasan (used to prevent discolourization of lumber).

The Copper Cliff nitre cake plant was closed throughout the year owing to lack of demand, but it is now expected it will be reopened during the latter half of 1933.

Explosives and Ammunition Group

Despite selling price reductions the Ammunition Division—mainly engaged in the manufacture of cartridges for sporting purposes—enjoyed an unusually good year, the volume of business available having been somewhat larger than for some time past. Selling price policies allowed of further inroads being made on imports from the United States and we now enjoy a somewhat larger proportion of the domestic business than heretofore.

In the Explosives Division, a radically decreased demand for blasting explosives was experienced, especially in the last nine months of the year, the drastic decline in base metal prices having exerted a retarding influence on consumption during that period. In the earlier months this loss of business had been offset to some degree by important activity in road work for relief purposes, but this work, together with construction work generally, became more or less negligible after the first quarter. The increase in gold mining activity is tending in some degree to offset the reduction in base metal mining demand and this seems likely to be an increasing tendency in 1933.

Fabrics and Finishes Group

The volume of automobile business available to the two Divisions comprising this group was again very low and under these conditions it was difficult to achieve satisfactory results.

In the Fabrikoid Division, every effort was made to extend the outlets for existing products and it is felt that considerable progress has been achieved in obtaining a more diversified line, the benefits of which should become more evident as conditions improve. Continued success was achieved in the sale of Pontan as a shoe material and Tontine window-shade cloth was added to the manufacturing line.

The contraction in the sales of the Paint and Varnish Division was particularly noticeable but your Company's share of the total available business in that industry increased during the year.

Fertilizer Group

The low prices obtaining for farm products throughout 1932 restricted fertilizer sales in large degree.

A further adverse condition which materially affected your Company's operations in this Division was the continued dumping into Canada by foreign countries of superphosphate at prices below cost of production in those countries.

ORGANIZATION

AS a means of obtaining better and more co-ordinated operation, the Fabrikoid, Paint and Varnish, Pyralin and Cellophane Divisions were re-grouped, the Pyralin Division being placed under the same general managership as Cellophane in the Cellulose Products Group.

The Company now consists of five manufacturing Groups, embracing ten Divisions, all of which draw from separately constituted head office departments services such as Accounting, Advertising, Chemical Development, Engineering, Patent, Purchasing, Secretarial and Traffic. Advertising was, however, largely decentralized during the year in the interests of greater economy and efficiency.

Publication was commenced of a quarterly house organ dealing with your Company's products and their uses, for distribution to customers. This has been received with favour.

INDUSTRIAL RELATIONS

IN common with many other industrial organizations, your Company has made every effort to alleviate distress by distributing available work to as many employees as possible.

The combined endeavours of all concerned have again met with noteworthy success in the work of preventing accidents, and the accident frequency rate during the year was the lowest ever achieved by your Company. The steps taken to minimize hazards of manufacture and to protect property against damage by fire, explosion and similar contingencies were attended by success.

The plans providing for stock subscriptions, bonus awards, pensions and death benefits adopted in the past for the furtherance of employees' welfare and to foster a co-operative spirit have remained in force unmodified, with continued advantage. An offering of the Company's preferred stock was again withheld, however, on account of prevailing economic conditions.

INVESTMENTS

INCOME from investments was approximately 19% below that of the previous year, the decline being mainly due to the reduced dividends received on your Company's holdings of common stock in General Motors Corporation. There was no change during the year in the securities held by your Company for permanent investment.

The regular quarterly dividend on the common stock of General Motors Corporation was reduced to 50 cents a share in March and to 25 cents in June, the total dividend received for the year amounting to \$1.25 a share.

Notwithstanding a reduction in volume of business, earnings of the Canadian Safety Fuse Company Limited were reasonably maintained.

No dividends were received in 1932 from your Company's holdings in The Dunlop Tire & Rubber Goods Company Limited, which company in common with others in the rubber industry experienced a difficult year.

PERSONNEL

IT is your Board's desire to express its gratification at the whole-hearted support rendered by the employees during a stressful year, and to give voice to the conviction that with such a loyal and effective working unit the future advancement of your Company's interests is assured.

On behalf of the Board of Directors,

ARTHUR B. PURVIS,
President and Managing Director

Montreal, Canada, February 16, 1933

CONSOLIDATED BALANCE SHEET

DECEMBER 31st, 1932

ASSETS

CURRENT ASSETS:

Cash.....	\$ 631,039.91
Government Securities.....	6,318,248.34
Other Marketable Securities.....	1,830,951.56
Notes Receivable.....	28,846.17
Accounts Receivable (less reserve for doubtful accounts).....	1,610,340.43

Customers' Accounts.....\$1,352,188.03
Other Accounts.....258,152.40

Inventories.....	4,703,220.04
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\$15,122,646.45
277,416.46

DEFERRED CHARGES.....

INVESTMENTS:

Securities held for Investment.....	\$ 3,930,510.23
Securities held in Trust for Employees' Welfare Plans.....	1,775,569.50

\$ 5,706,079.73

FIXED ASSETS:

Plants, Equipment and Real Estate.....	\$23,135,051.91
Goodwill, Patents and Processes.....	3,566,048.64

\$26,701,100.55

TOTAL ASSETS.....

\$47,807,243.19

LIABILITIES

CURRENT LIABILITIES:

Accounts Payable.....	\$ 624,197.67
Dominion and Provincial Taxes.....	370,570.74
Dividends Declared.....	667,949.63
	\$ 1,662,718.04

DEFERRED CREDITS

34,327.68

TRUST NOTES OUTSTANDING:

Canadian Salt Equipment Co. Ltd., Trust Notes (maturing 1933).....	\$ 14,000.00
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RESERVES:

Depreciation of Government and Other Securities.....	\$ 1,196,148.93
Depreciation of Plants and Equipment.....	8,217,272.82
Accidents, Pensions and Benefit Plans.....	1,965,874.42
	\$11,379,296.17

CAPITAL STOCK AND SURPLUS:

	Shares Authorized	Shares Issued	
Preferred Stock (7% Cumulative).....	75,000	46,500	\$ 4,650,000.00
Common Stock (No Par Value):			
Class A Voting.....	660,000	615,974}	18,974,961.66
Class B Non-Voting.....	690,000	54,397}	
Surplus.....			
			11,091,939.64
			\$34,716,901.30
TOTAL LIABILITIES.....			
			\$47,807,243.19

CONSOLIDATED INCOME AND SURPLUS ACCOUNT

	Income from Operations	Income from Investments	Profit on Realization of Assets	Total Income
Surplus as at January 1st, 1932.....	\$2,382,545.50	\$ 581,618.75	\$8,264,756.61	\$11,228,920.86
Net Earnings during 1932.....	2,066,561.18	706,339.09	1,238.32	2,771,661.95
	<u>\$4,449,106.68</u>	<u>\$1,287,957.84</u>	<u>\$8,263,518.29</u>	<u>\$14,000,582.81</u>
Less Dividends paid or accrued.....	\$2,169,020.27	\$ 670,371.00	—	\$ 2,839,391.27
7% Preferred Stock.....	\$ 325,500.00			
Common Stock.....	<u>2,513,891.27</u>			
Total.....	<u><u>\$2,839,391.27</u></u>			
Less Additional Income Tax for 1931.....	60,826.52	8,425.38	—	69,251.90
Surplus as at December 31st, 1932.....	<u>\$2,219,259.89</u>	<u>\$ 609,161.46</u>	<u>\$8,263,518.29</u>	<u>\$11,091,939.64</u>

MONTREAL, 13th February, 1933

*To the President and Shareholders,
Canadian Industries Limited,
Montreal*

GENTLEMEN:

We have audited the books of account and financial records of Canadian Industries Limited and Subsidiary Companies for the year ended 31st December, 1932.

The Inventories of Raw Materials and Supplies, Goods in Process and Finished Products have been certified to be correct by a responsible official of your Company.

Government and other Marketable Securities are carried on the Balance Sheet at their Book Value of \$8,149,199.90; the Reserve for Depreciation of these Securities, amounting to \$1,196,148.93, is in excess of the depreciation in their Market Value as at 31st December, 1932.

The item of Investment Securities shown on the Balance Sheet as at 31st December, 1932, comprises your Company's holdings of Common Stocks of various Companies carried at their Book Value of \$3,930,510.23, this amount being less than the Net Asset Value of these Stocks as shown by the last available Balance Sheets of the respective Companies.

We certify that, in our opinion, the Consolidated Balance Sheet as at 31st December, 1932, signed by us, sets forth correctly the financial position of the Company as at that date and the relative Profit and Loss Account is a correct statement of the results from operations for the year ended that date, according to the information and explanations given to us and as shown by the books of the Company.

All our requirements as Auditors have been complied with.

P. S. ROSS & SONS,
Chartered Accountants

CANADIAN INDUSTRIES LIMITED

CELLULOSE PRODUCTS GROUP

Cellophane Division

Plain transparent, moistureproof transparent and other specially designed grades of "Cellophane"

Pyralin Division

Pyralin combs; tooth-brushes; toiletware; cleanable collars

CHEMICAL GROUP

Acids and General Chemicals Division

Acids; heavy chemicals; rubber and mining chemicals, etc.

Dyestuffs Division

Dyestuffs and intermediates

Salt and Alkali Division

Salt; caustic soda, chlorine; synthetic and by-product ammonia

EXPLOSIVES AND AMMUNITION GROUP

Ammunition Division

Duco-finished waterproof shot-shells and all other classes of sporting ammunition embodying super-clean non-mercuric priming; railway fusees and signals, etc.

Explosives Division

Commercial explosives and blasting accessories

FABRICS AND FINISHES GROUP

Fabrikoid Division

Fabrikoid (for use in place of leather) and rubber-coated fabrics; Tontine window-shade cloth, etc.

Paint and Varnish Division

Varnishes and enamels; oil colours; industrial paints; "Duco" for industrial and household uses (sole Canadian manufacturers), etc.

FERTILIZER GROUP

Eastern and Western Divisions

Superphosphate; complete fertilizers; insecticides, etc.

